

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 00-0084P**

Gross Income Tax

Fiscal Years Ending 10/30/96 and 10/31/97

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**ISSUE(S)**

I. **Tax Administration** – Penalty

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer, incorporated under the laws of Arkansas, was audited for fiscal years ending 10/30/96 and 10/31/97. It has one Indiana location. Upon audit it was discovered that the taxpayer failed to report gross income from the location that operated a "Returned Merchandise" center. The center received, inspected, diagnosed, and repaired electronic products. Although it filed returns, the taxpayer claimed that all gross receipts were tax exempt as out-of-state service receipts and remitted no tax.

Upon audit it was discovered that the taxpayer failed to include service receipts in gross income subject to tax.

In a letter dated January 25, 2000, taxpayer protested penalties assessed and states that its accounting firm incorrectly calculated the income tax owed due to a misunderstanding.

I. **Tax Administration** – Penalty

**DISCUSSION**

Taxpayer was assessed a negligence penalty for all years of the audit because it failed to correctly report taxable gross income.

Taxpayer requests the penalties be abated due to a misunderstanding of Indiana Tax laws. Taxpayer has an accounting firm that should be knowledgeable in taxation for the states in which it files returns.

Taxpayer was assessed a penalty because it failed to tax its gross receipts and has not provided reasonable cause for failing to do so.

**FINDING**

Taxpayer's protest is denied.